



Evolve
Capital Partners

Finance & Technology Market Update

Q1:2017 Issue

Financial Technology



Payment Analytics | Blockchain | SME Lending

**SPECIALIZED INVESTMENT BANKERS AT THE INTERSECTION OF
FINANCE AND TECHNOLOGY**

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Executive Summary



Executive Summary

Summary of Newsletter

SUMMARY

- This newsletter is intended to provide insight into the financial technology capital markets. We seek to provide a snapshot of market activity and detailed analysis of trends.
- This issue focuses on Payment Analytics, Blockchain and SME Lending Platforms.
- We are broadening our sector coverage to include companies in the intersection of financial services and technology, and we observed increased activity in the payments analytics, online lending and blockchain space.
- The key observations we made over the first quarter of 2017 are alongside.


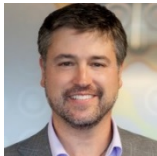




KEY OBSERVATIONS

23%	Expected CAGR of global mobile-commerce between 2016 and 2021	76	Funding and M&A deals completed in payment processing space between Jan and mid-Oct, 2016	\$1 bn	Funding received by Bitcoin & Blockchain startups between 2013 and 2016	\$206 bn	Expected value of the US online business lending market by 2025
 Payment Analytics to Gauge Consumer Behavior		Payment Analytics is emerging as one of the frontrunners in the Alternative Data segment, as marketing companies, retailers and merchants look at new way to better understand consumer behavior to guide their customer engagement strategies. Payment processing companies, with their stockpiles of payments data, are enjoying their early-bird advantage in this sector. On the other hand, banks, who also have similar amounts of data, are catching up fast. Many startups are emerging in this space and there could be increased M&A transactions ahead as banks look to establish a foothold in this space and payment processors look to add to their capabilities.					
 Focus Shifting from Bitcoin Cryptocurrency to Blockchain Technology		The focus from Bitcoin Cryptocurrency is quickly shifting to Blockchain technology and its various applications. Blockchain startups cornered 67% of all series A Bitcoin & Blockchain deals from January 1, 2015, through 2016. Blockchain startups have been coming up across industries, including financial markets, insurance, wealth management and payments. Their funding is only expected to increase as new uses of blockchain are implemented. Many of the early starters in the Blockchain segment have now matured. The credibility and varied applications of Blockchain that they have showcased have led to large companies aggressively buying Blockchain businesses. This trend is expected to increase in the coming quarters.					
 Consolidation in Sight for SME Lending Platforms		SME lenders operate a niche that has been carved for them by the huge demand for SME loans, the document-heavy lending procedures of large banks', and the ever-stricter bank lending regulations. The attractiveness of the online SME Lending model and its low entry barriers have attracted many new players in recent years. These players have competed aggressively for market share by diluting their lending criteria. With the industry now approaching maturity, the focus has shifted to portfolio quality and capital optimization. Many M&A transactions will be seen in this segment as players look to consolidated and attain capex- and working capital-related economies of scale.					

Executive Summary

Summary of Company C-Suite Interviews

We are initiating interviews of key companies in our space and below are several emerging companies profiled in this issue:

		<ul style="list-style-type: none">▪ Jon Karl is VP Corporate Development and Co-Founder of iovation▪ iovation is a provider of online fraud and abuse management services. The company provides real time risk evaluation management services▪ Go to page 23 for a detailed interview
		<ul style="list-style-type: none">▪ Jim Swift is President and CEO of Cortera▪ Cortera is a provider of online based commercial credit ratings▪ Go to page 27 for a detailed interview
		<ul style="list-style-type: none">▪ Kevin Sheetz is CEO and Co-Founder of Powerlytics▪ Powerlytics is a developer of market intelligence platform designed to provide the most comprehensive, accurate and granular consumer and business financial data available in the US▪ Go to page 32 for a detailed interview



Firm Qualifications

Firm Qualifications

We Focus Exclusively on Finance and Technology Related Firms

ABOUT ECP

- Evolve Capital Partners (ECP) is a specialized investment bank focused on businesses serving industries at the intersection of finance and technology.
- We are dedicated advisors focused on evolving industries, and we support sustainable growth through transformational M&A / financing transactions.
- ECP is a dedicated, creative, and fully independent investment bank that advises private and public companies on merger, divestiture and acquisition transactions, raise capital through private placements in complex situations.
- We also provide structured finance advisory services — our investment banking practice provides a comprehensive suite of solutions to businesses.
- With over 30 engagements executed by its leaders, Evolve Capital Partners has served as a proud partner, bringing renewed value to companies at the intersection of finance and technology.
- We were founded in 2012 and are based in New York, NY.

FINANCIAL ADVISORY SERVICES

Few investment banks have transaction experience across both corporate and asset finance.



Our Clients

- Corporates
- Management Teams
- VC & PE Funds
- Independent Directors / Boards



Our Services

- M&A
- Strategic Alliances
- Capital Raises and Asset Finance
- Financial Restructurings



Industry Focus

- Finance and Technology Firms

BPO
IoT
B2B

Specialty Finance
Enterprise Software
Analytics

Payments
Lending
InsuranceTech

Securities
Financial Services
Financial Management

Firm Qualifications

LeaseDimensions M&A Sell-side Case Study

Transaction Overview & Rationale

Overview of the Transaction

- LeaseDimensions (the “Company”) engaged Evolve Capital Partners (ECP) to advise on the sale of the 25 year old firm.
- The Company can be categorized as a Business Process Outsourcing (BPO) firm, with considerable operating history and generating above average margins. The Company provides lease and loan servicing to banks, large corporations and emerging growth companies across North America.

Significance of the Transaction

- The buyer, Genpact, is a large international BPO with a \$5 billion market capitalization. The acquisition of LeaseDimensions allows Genpact to effectively provide onshore servicing capabilities, and represents an ongoing consolidation of third party independent servicing companies.
- LeaseDimensions will remain a standalone company and will receive significant support to rapidly expand operations and expand into ancillary asset classes.

Evolve Capital Partners Role in the Transaction

- ECP served as the exclusive strategic and financial advisor to LeaseDimensions.
- ECP developed a detailed and comprehensive set of marketing materials to highlight the unique value proposition of the Company and to enable efficient and thorough buyer diligence.
- ECP drafted tailored selling script in the form of brief presentations that specifically articulated strategic fit, rationale and directly addressed questions from interested parties.
- We leveraged our relationships to understand each party’s interest level and concerns throughout the process and informed them on the Company’s attributes and quality of its servicing offerings.
- ECP generated qualified indications of interest from numerous strategic and financial buyers and was able to generate a significant increase in the final valuation from the initial indications of interest through a negotiated process.

Financial Advisor

February 2017



LeaseDimensions

has been acquired by:

GENPACT

GENERATING IMPACTSM

*Exclusive financial advisor to
LeaseDimensions*

BPO

Strategic

M&A



Industry Landscape

Electronic Payments Set to Grow

Payment Analytics, Blockchain, and SME Lending

- Global electronic payment volumes are expected to explode in the coming years, owing to continued growth in digital commerce, increased reliance of tech-dependence millennials on digital payment means and increased electronic payments acceptance at small merchants.
- The most pressing payment priorities for US retailers at present are related to EMV (Europay, Mastercard and Visa) payments: EMV implementation (76%), chargebacks (46%) and tokenization/encryption (37%)⁽¹⁾.
- Another leading priority for retailers is to move towards mobile payments across channels: mobile, store and web.
- Leading retailers, such as Target, Amazon and Sinclair Oil Corp.; are proactively embracing the growth in electronic payments and are at various stages of implementing their mobile payment technologies.
- Amazon started testing its “Amazon Go” service in December, 2016; Sinclair has already rolled out its mobile payment app in over 60 outlets; and Target is expected to launch its own mobile payment service in 2017.
- Despite significant growth in electronic payment volumes, industry revenues are expected to grow at a moderate annual rate of 2% to 3%, as increased volumes are expected to attract more competitors and result in margin compression across the industry. Low revenue growth and shrinking margins are expected to pave the way for a period of industry consolidation, implying several M&A transactions will come to market.
- 76 deals were completed in the payment processing space between January and mid-October, 2016. 41 of these were done by strategic buyers⁽²⁾.

Source(s): ⁽¹⁾ The National Retail Federation (NRF) Study: “State of Retail Payments 2016”, March, 2017;

⁽²⁾Capstone Partners Report on Payment Processing, Q4, 2016; ⁽³⁾Euromonitor, September, 2016

KEY MARKET TRENDS

- Proliferation of digital commerce and acceptance of electronic payments by small merchants
- EMV implementation and Mobile Payment across retail channels in vogue
- Spread of electronic payments to spawn margin contraction and M&A

Explosive Growth in Non-Cash Commerce and Declining Use of Cash...

53%	Was the growth in global mobile-commerce between 2015 and 2016 ⁽³⁾
23%	Is the expected CAGR of global mobile-commerce between 2016 and 2021 ⁽³⁾
8.1%	Was the growth in debit cards in circulation across the globe between 2015 and 2016 ⁽³⁾
7.4%	Is the expected CAGR of debit cards in circulation across the globe between 2016 and 2021 ⁽³⁾
76	Funding and M&A deals were completed in the payment processing space between January and mid-October, 2016 ⁽¹⁾

Opportunities for Payments Analytics

Payment Analytics, Blockchain, and SME Lending

- The payments analytics boom started in 2012-13 with credit card payment processors, such as American Express and MasterCard, starting to monetize their card payments data by using it to create consumer behavior analysis reports for retailers and advertisers.
- The growth in digital payments through wallets and online payment gateways has created more payments data that can help Payments Management BPO's, marketing agencies, and retailers conduct advanced analytics to understand consumer buying behavior and spending patterns. These insights can help companies better align their products to consumer needs & preferences, create consumer cohort-targeted marketing programs, identify cross-selling opportunities and improve customer engagement.
- Payment data is also being used by retailers to analyze individual store performance, which would form the basis for key strategic decisions relating to store location & format, product range at each store, and store-specific promotion schemes & sales promotion strategies.
- Payments data analytics businesses of leading processing companies like MasterCard and Visa are now well-developed and banks that also constantly generate payments data are looking to create similar setups. Banks have been laggards in payments analytics, mainly because of the regulatory hurdles that prevent them from sharing client data, even in an anonymous fashion. However, the regulatory environment for payment data analytics has now become friendlier with the introduction of new regulations.
- A more accommodative regulatory environment has paved the way for banks experimenting with various technology-led analytics models. It has also opened the door for new businesses to come up. The strong potential of payment analytics in the Alternative Data segment has encouraged early stage investors to liberally fund these businesses.
- As banks look to catch up with payment processors by acquiring analytics businesses and payment processors look to further strengthen their position, many M&A deals can be expected in this space over the coming quarters.

Select Payment Analytics Companies



Saylent offers payment intelligence software, a pricing platform and other analytical products that study consumer behavior and allow users to better align their offerings to customer requirements. It serves banks, credit unions, and payment processors. Saylent was founded in 2006, and is headquartered in Franklin, MA. Investors include Five Elms Capital, North Hill Ventures and Outcome Capital.



Second Measure analyzes data from billions of credit card purchases to help companies spot inflection points, track competitor performance and improve customer engagement & retention. Second Measure was founded in 2015, and is headquartered in San Mateo, CA. Investors include FundersClub, Bessemer Venture Partners and Scrum Ventures.



Earnest Research is a data innovation company driven to change the way professionals understand consumer and business behavior. It transforms raw data into a source for business and investment professionals to make better decisions. The company was founded in 2011, and is headquartered in New York. Investors include Greycroft Partners and Osage Venture Partners.



Ingenico ePayments' Payment Knowledge Services help businesses optimize their payment processes. The company's business intelligence solution, Elevate, is specifically designed to translate clients' online payment and chargeback data into interactive dashboards, to let them quickly identify and act on problems and opportunities. Its parent company is Ingenico Group.

Industry Landscape

Payment Analytics, **Blockchain**, and SME Lending

INTRODUCTION

- Blockchain started off as a shared and continuously-reconciled ledger for Bitcoin and other digital currencies. Blockchain technology earned popularity because it is not controlled by a single entity, has advanced cryptographics, can't be tampered with and offers complete transparency. In other words, it offers a shared and protected data solution, with applications across industries.
- The usage of blockchain is no longer limited to that of a ledger for digital currencies like bitcoin. Alternative uses of this technology are being explored and exploited in several areas where security of shared data is of critical importance.
- At present the greatest use of blockchain technology is in the banking and financial services industry. Blockchain could save capital markets \$6 bn a year according to Goldman Sachs and save banks \$15-20 bn a year according to Santander.
- In addition, blockchain is starting to revolutionize industries like telecom, healthcare and insurance.
- Blockchain has also made inroads into the regulatory and legal domains, where legal and investigative authorities are utilizing blockchain to fight financial fraud and cyber crime.
- Bitcoin and blockchain startups have mushroomed in the US since 2013. Startups in this sector received total funding of over \$1 bn between 2013 and 2016. US accounted for 54% of all deals made in the sector over this period.

INDUSTRY IN A DEAL FRENZY



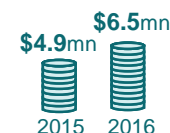
Blockchain startups cornered 67% of all **Series A funding** deals that happened in the bitcoin & blockchain ecosystem from Jan 1, 2015, through 2016.



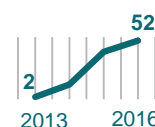
85 deals
Startup funding in the bitcoin & blockchain sector peaked in 2015, with 85 deals being completed.



\$416mn
The **total value of startup funding deals** in the bitcoin & blockchain space was \$416mn in 2015.



Funding activity slowed down in 2016, with 59 deals being completed at a total value of \$385mn. Despite a fall in overall funding, **average deal value** in the sector increased sharply from \$4.9mn in 2015 to \$6.5mn in 2016.



Higher deal values is largely a result of large strategic investors, particularly from financial services, aggressively investing in young blockchain businesses. The number of **unique corporate investors** in bitcoin & blockchain increased globally from 2 in 2013 to 52 in 2016.



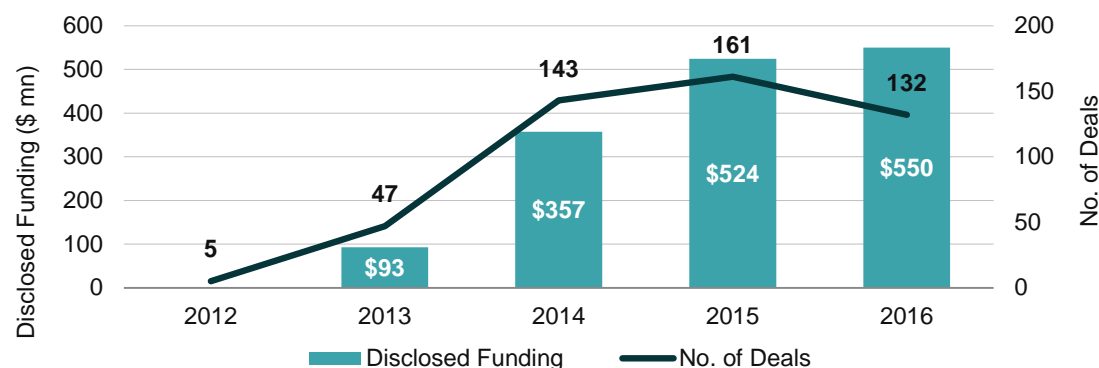
> 50
Over 50 **insurance and financial services firms** have invested in bitcoin or blockchain startups since 2014. Investors include JP Morgan, Goldman Sachs, TransAmerica, New York Life, Visa and MasterCard.

Source(s): CB Insights; [Goldman Sachs: Blockchain Tech Could Save Capital Markets \\$6 Billion a Year](#), Coindesk, May 2016; [Santander: Blockchain Tech Can Save Banks \\$20 Billion a Year](#), Coindesk, June 2015

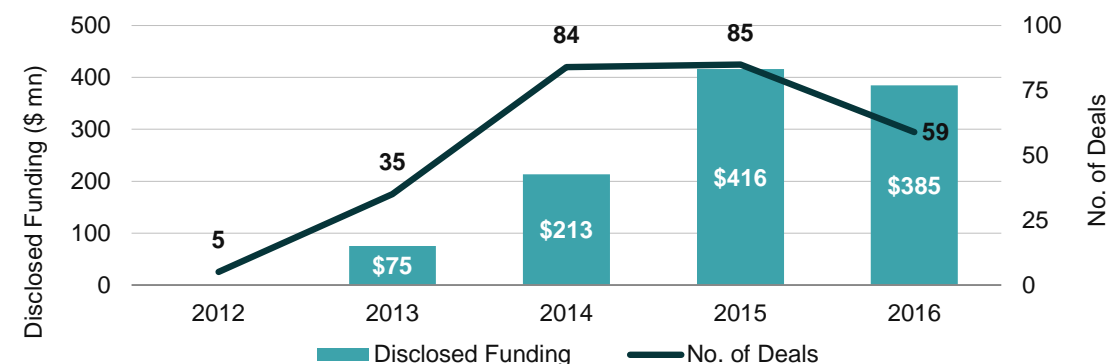
Industry in Numbers

Payment Analytics, **Blockchain**, and SME Lending

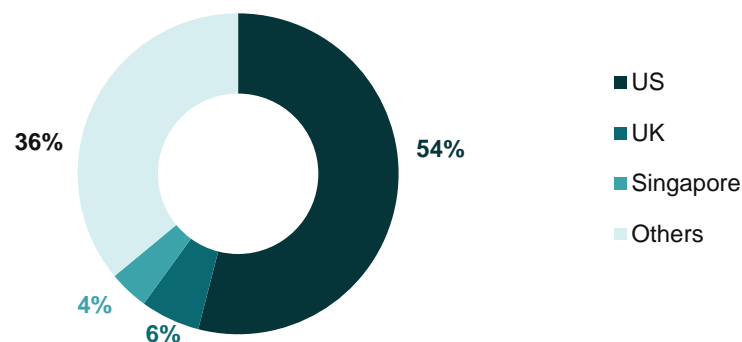
Annual Global Bitcoin & Blockchain Financing⁽¹⁾



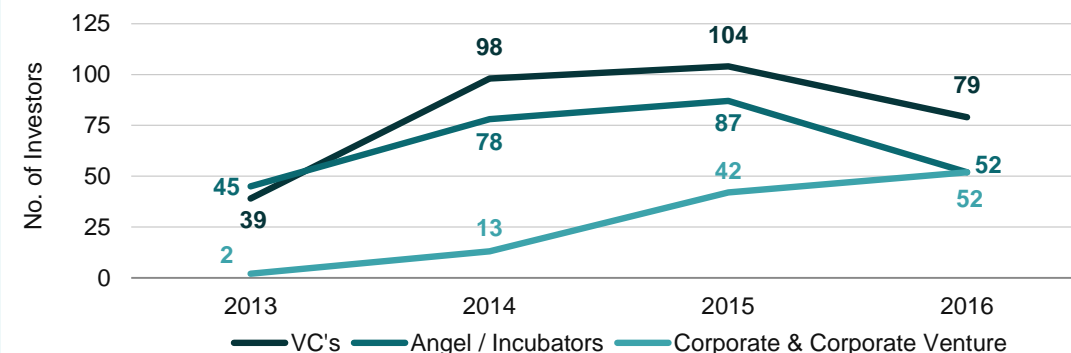
Annual US Bitcoin & Blockchain Financing⁽¹⁾



Bitcoin & Blockchain Deal Breakdown by Country⁽¹⁾



Unique Investors in Bitcoin & Blockchain Businesses



Source(s): CB Insights

Note: ⁽¹⁾ Numbers excluding initial coin issue (ICO)

Key Growth Areas – Finance

Payment Analytics, **Blockchain**, and SME Lending



Banking

Banks continually find themselves battling against new security threats that imperil depositors' funds and information. Blockchain technology provides a digitized, secure, and tamper-proof ledger that can not only protect depositor's account information; but also provide efficient, cost-saving solutions for banks' back office functions. Blockchain can help banks save an estimated \$15-20 billion a year in infrastructure costs⁽¹⁾. As blockchain businesses continue to come up with innovative banking solutions, banks are expected to continue being the most active group of investors in blockchain businesses.

Companies to watch: ThoughtMachine  Atlas



Payments

Blockchain provides payers and payees a direct and completely secure transaction channel, without the need for intermediaries. It can minimize transaction fees and transaction time; and ensure transaction security. As such, transaction processing companies, such as Visa, Mastercard and American Express are expected to continue scouting potential investment targets in the blockchain segment.

Companies to watch: ABRA  NETKI 



Research, Analysis and Forecasting

Blockchain is an open ledger where every digital currency transaction is recorded as a readily viewable, but tamper-proof block. As such, blockchain dealings create a lot of data that can be readily used for predictive analytics, research and forecasting by banks, analysts, consultants, marketing agencies, financial regulators and businesses.

Companies to watch:  CHAINALYSIS

Source(s): ⁽¹⁾[Santander: Blockchain Tech Can Save Banks \\$20 Billion a Year](#), Coindesk, June 2015
CB Insights, blog: ["Banking Is Only The Start: 27 Big Industries Where Blockchain Could Be Used"](#), February, 2017



Financial Markets

Blockchain startup, Chain is working with NASDAQ to facilitate stock trading over block and Overstock has already conducted its private bond issue over blockchain. Blockchain can enable parties to directly trade in financial securities by jointly signing a contract online, automatically getting their credential verified and exchanging currency. The process can be very similar to bitcoin transactions, leading to instant settlement of trades. The transaction would get lodged into a transparent asset ledger and enable regulators to easily verify suspect accounts and transactions. It could also let asset managers have a clear view of their securities and manage investor holdings in their funds by creating token-like investment units.

Companies to watch:  Chain  symbiont PEERNOVA 



Wealth Management

Blockchain promises to reduce wealth management costs significantly and make updated information more readily available to clients. Many expect blockchain and robotics to combine and enable wealth managers to provide customized solutions to multiple clients at the same time. This could benefit low-priority account holders the most, as wealth managers would be able to serve them with the same diligence with which they serve institutional and other high-value account holders. The introduction of blockchain could also expedite routine processes, like onboarding, margining and other credit decisions.

Companies to watch: 



Insurance

There are many online platforms where people can temporarily exchange assets like homes and vehicles. However, it is nearly impossible to insure these assets. Blockchain startups like Stratum have created blockchain-enabled solutions to micro-insure such products. The concept of online insurance can be similarly applied to other products too. The insurance brokerage space too has seen the emergence of blockchain startups. Sure, for example offers a mobile app for users to purchase on-demand insurance for short periods.

Companies to watch:   FACTOM  everledger 

Other Key Growth Areas

Payment Analytics, **Blockchain**, and SME Lending





Blockchain businesses are also developing solutions in several areas outside finance. Some of the areas where blockchain could be used extensively in the coming years are given below.

Cybersecurity	Ride Sharing	Government and Public Benefits
Student Records and Academia	Healthcare Data Collaboration	Gun Acquirer Appraisal and Gun Tracking
Elections and Voter Records	Supply Chain Management	Will Authenticity and Inheritance Claims Appraisal
Car Leasing and Sales	Cloud Storage	Intermediary-free Online Retail
Social Media and Networking	Energy Management and Trading	Donation Tracking
Internet of Things (IoT)	Sports Funding and Management	Evidence Tracking and Transaction Monitoring
Authorized Online Music Streaming and Sharing	Gift Cards and Loyalty Programs	Employee Verification





Source(s): Adapted from CB Insights, blog: ["Banking Is Only The Start: 27 Big Industries Where Blockchain Could Be Used"](#), February, 2017

Key Companies

Payment Analytics, **Blockchain**, and SME Lending

Company	Sub-sector	Description
 CIRCLE	Digital Payments	Circle provides a suite of digital currency products that enable ease-of-use in online and in-person payments, security and privacy for consumers, and lower costs for businesses in accepting digital payments for end-users, businesses, and charities. Circle was founded in 2013, and is headquartered in New York, NY. Investors include Goldman Sachs, IDG Capital Partners, Accel Partners and Breyer Capital.
	Bitcoin Wallet and Transaction Platform	Coinbase provides a bitcoin wallet; an API for generating bitcoins & get real-time bitcoin market information; and a blockchain-based platform that allows merchants and consumers to buy, sell, and use bitcoin currency. Coinbase was founded in 2012, and is headquartered in San Francisco, CA. Investors include Mitsubishi UFJ, Sozo Ventures and DoCoMo Capital.
 Blockstream	Digital Payments	Blockstream is developing sidechain based digital currency micropayment systems that support rapid digital transactions at the lowest transaction fees. Blockstream was founded in 2014, and is headquartered in Montreal, Canada. Investors include Digital Garage, AXA Strategic Ventures and Seven Seas Partners.
 Chain	Financial Markets	Chain develops blockchain-based enterprise platform solutions that enable institutions to design, deploy, and operate financial networks that can power assets in various markets. The company is working with NASDAQ on developing a blockchain-based stock trading platform. Chain was founded in 2013, and is headquartered in San Francisco, CA. Investors include Capital One Ventures, Citi Ventures and Nasdaq.

Source(s): Company Websites, Capital IQ, CB Insights

Company	Sub-sector	Description
	Financial Markets	t0 offers a trading platform that integrates cryptographically secure distributed ledgers with existing market processes to reduce settlement time and costs, increase transparency, efficiency and auditability. t0 was founded by online retailer Overstock and is headquartered in Midvale, UT.
 Digital Asset	Digital Ledger	Digital Asset Holdings provides tools that use distributed ledgers to track and settle both digital and mainstream financial assets in a cryptographically secure environment. Digital Asset was founded in 2014, and is headquartered in New York, NY. Investors include ABN AMRO, Accenture and ASX Limited.
 Namely	HR Management	Namely is a cloud-based management platform that enables organizations to build teams, retain top performers and optimize business performance. The solution features 360 degree performance reviews, HRIS, team charting, messaging and reporting. Namely was founded in 2011, and is headquartered in New York, NY. Investors include Altimeter Capital Management, Sacle Venture Partners and Sequoia Capital.
 EVERQUOTE	Auto insurance	EverQuote operates an online auto insurance marketplace. The company's platform unites agents and carriers with prospective customers in a seamless online experience that delivers great rates and coverage for consumers while maximizing sales rates for auto insurance providers. EverQuote was founded in 2008, and is headquartered in Cambridge, MA. Investors include Link Equity Partners, Oceanic Partners and Savano Capital Partners.

Industry Landscape

Payment Analytics, Blockchain, and SME Lending

- SME lending continues to be a large, underserved segment of the US lending industry. According to the SBA, there are 28mn small businesses in the US that account for 54% of all US sales. Complex and time-consuming lending requirements of banks prevent these small businesses from obtaining adequate bank credit and compel them to look for alternative financing options.
- Stringent lending regulations introduced in recent years have urged banks to monitor their capital position more closely and, in many cases, exit non-core and capital-intensive products. This has further deprived small businesses from bank credit and has created a void for SME Lenders to fill.
- About 37% of all small businesses applied for credit in the fall of 2013. About 45% did not apply, but about 20% did not apply because they felt they would not qualify⁽¹⁾.
- SME Lending platforms offer businesses quick financing, with reduced documentation and flexible repayment terms by using new-age technologies that banks have been slow to adopt. They provide loans of varying sizes and maturities and use both, personal and business credit scores to increase the likelihood of the borrower qualifying for the loan.
- Easy online application that includes an evaluation of health of business before approval that can be made within a day. Most platforms require businesses to be operational for 2 years with at least \$200,000 in revenue.
- The US market for business lending through online platforms is expected to be worth approximately \$206bn by 2025⁽²⁾. SME lending platforms are expected to contribute a large percentage of this volume.
- The rapid growth of online lending platforms, predominantly in the consumer lending space, has heeded speculations that the next lending bubble is already in the making. However, SME Lending is one of the most secure segments of the online lending industry as SME Loans, unlike consumer loans, are backed by accounts receivables as the collateral, which allows for more reliable underwriting of these loans.

Sources(): ⁽¹⁾Federal Reserve Bank of New York, ⁽²⁾Growth Praxis

Select SME Lending Platforms



On Deck Capital, Inc. operates an online platform for small business lending in the United States.



Bond Street Marketplace, Inc. offers term loans to small businesses in the United States.



CAN provides merchant cash advances, business loans, working capital, and alternative business finance to SME's through its two subsidiaries. It uses risk models combined with daily performance data to evaluate loan requests.



Kabbage, operates a fully automated financial services data and technology platform that lets SME's borrow online, using their own data to submit the loan application. The platform provides instant loan approval and on the spot funds access.






Owned by Strategic Funding Source, a portfolio company of Pine Brook

Capify offers a range of working capital loan products, that grant SME's credit of \$5,000 to \$1,000,000; within a day. the company has a simple online lending form that imposes no obligations on the applicant. Capify maintained an A+ rating with the BBB and has been a founding member of the SBFA.

Bank Borrowing vs Online SME Borrowing

Payment Analytics, Blockchain, and **SME Lending**

CRITERIA	CHALLENGE WITH BANK BORROWING	ONLINE SME BORROWING SOLUTION
APPLICATION PROCESS 	Probing, Complex and Time-Consuming Application Process Small business owners may hesitate to apply for traditional loans because they need documentation about a company's credit, equity, and overall financial situation. In addition, visiting the bank to fill a long and probing application form might seem inconvenient, embarrassing and pointless to applicants who don't have great credentials.	Automated Extraction of Client Data and Remote Tech-based lenders offer quick and confidential applications. Their tech solution can directly pull in data about the company, so the business owner doesn't have to pay a personal visit and fill up the application form. In many cases, applicants can enjoy an approval within minutes of completing their online application. They can provide information and learn about their approval from the privacy of their office or home computer. As such, the entire process can be completed remotely.
LENDING REQUIREMENTS 	Rigid Lending Requirements, Focused on Historical Credentials Lending decisions of banks rely heavily on credit scores of the business or the business owner. In many cases, founders fund their startups from personal savings and neither they nor the company has a strong enough credit score to get a loan. In such cases, business owners hesitate to apply for a bank loan to avoid the unpleasant consequence of their application being turned down.	Tech-Driven Approach Based on Ascertaining Future Repayment Potential SME Lenders employ technology-driven alternatives to ascertain the authenticity and earning capabilities of businesses. They require applicants to simply link to one or more of payment processors, business checking accounts, bookkeeping software, social platforms etc.; which helps good companies get loans, despite an established credit score.
LENDING THRESHOLD 	Minimum Lending Threshold and Slow Loan Disbursement Process Many banks only make loans in excess of a pre-decided threshold and do not like to deal with small loan amounts. In addition, the loan disbursement process can be very slow as there are several procedural roadblocks to navigate around.	Rapid Disbursement Process Resulting in Approval of Smaller Loan Amounts After the online lender approves an application, automated solutions can help rapidly move funding from the lender to the borrower. Instead of taking weeks, the entire process from application to funding can occur within a few days. Since online lenders can work efficiently, they are also willing to approve smaller loans.

Source(s): ["3 Ways Fintech Has Made It Quicker and Easier to Access Small Business Funding"](#), Sam Wakoba, Techmoran, September, 2016












Deal Activity

Deal Activity

Key Industry Transactions in Q1 2017

We monitor the financial technology space from all angles, this includes Payment Analytics, Blockchain, SME Lending and related M&A transactions. Over the last few months, we have seen some of the large players in these markets, as well as in related markets make significant moves to expand their coverage, acquire new capabilities, and deepen their market penetration. PE and VC funds have also made several major investments in early stage companies in these areas.

Highlighted M&A Transactions

Date	Target	Acquirer	Value (mn)	Comments
03/29/2017	 NuData Security	 mastercard	NM	Mastercard, a provider of transaction processing and payment-related products, entered into an agreement to acquire NuData Security. NuData develops and markets biometrics and behavioral analytics solutions that help detect new account fraud, enhance user experience, and prevent unauthorized transactions. Mastercard will integrate NuData to its suite of digital payment security products and thereby strengthen its commitment to enhance protection in the digital payment space.
03/23/2017	 First Annapolis Consulting M&A Advisory Services	 accenture	NM	Accenture is a leading global provider of consulting, technology and outsourcing services. First Annapolis provides strategic and tactical advisory services focusing on the payments industry. Outsourcing service providers are aggressively strengthening their capabilities in the fast-growing payment analytics space. The acquisition will give Accenture critical additional capabilities in this space
01/10/2017	AVENTION	 dun & bradstreet	\$150.0	Dun & Bradstreet (D&B) provides commercial data, analytics, insights and risk management solutions on businesses worldwide. Avention, Inc. provides businesses industry & customer insights, market data, analytical lead generation tools and Sales & Marketing tools; that form the basis for their B2B Sales & Marketing strategies. The acquisition would expand D&B's presence and offerings in the B2B Sales Acceleration segment.
01/05/2017	 Capify Business Funding Made Simple US operations	 STRATEGIC FUNDING A portfolio company of Pine Brook	NM	Strategic Funding Source entered into an agreement to integrate the US operations of Capify into its adaptive proprietary operating platform. Both Strategic Funding and Capify have been providing non-bank financing options to SME's for over a decade. This integration enables Strategic Funding to expand its US operations by marketing to and providing capital to existing Capify customers.
02/14/2017	 TIO Networks	 PayPal	\$233.0	PayPal has signed a definitive agreement to acquire bill payment provider TIO Networks for \$233 million in cash. TIO operates a multi-channel bill payment service that caters to online users and under-banked offline users. The deal is an attempt by PayPal to bring under-banked offline consumers into its network.

Source(s): Press releases, Capital IQ

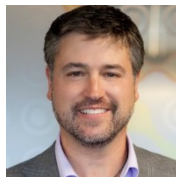


Company Interviews



ECP Newsletter Overview

Company C-Suite - Bios



- Jon Karl is VP Corporate Development and Co-Founder of iovation
- Prior to co-founding iovation, Jon was Co-Founder of ieLogic, which was sold to Excapsa Software and subsequently taken public on the London AIM
- He holds a B.A. in Economics from Oregon State University



- Jim Swift is President and CEO of Cortera
- Prior to Cortera, Jim was the COO of LexisNexis Risk Management and Executive Vice President at Seisint, which was acquired by LexisNexis
- He holds a B.S. in Mechanical Engineering from Rochester Institute of Technology



- Kevin Sheetz is CEO and Co-Founder of Powerlytics
- Prior to Powerlytics, Kevin was an audit and advisory partner at KPMG
- He holds a B.S. in Accounting from Pennsylvania State University

iovation Overview

Company Profile



Headquarters: Portland, Oregon
Founded: 2004



Greg Pierson
CEO & Co-Founder

Prior to iovation, Greg was CEO at ieLogic and a manager at Accenture.



Jon Karl
VP Corporate Development &
Co-Founder

Prior to iovation, Jon was Co-Founder at ieLogic.



Molly O'Hearn

VP Operations & Co-Founder

Molly has held senior executive management roles in marketing, public relations, corporate development and business operations.



Doug Shafer

CFO

Prior to iovation, he was at Tektronix and was responsible for managing the Americas Operations. He was also CFO at Unicru, a software as a service provider.

Source(s): iovation Website, CapIQ, Pitchbook

IOVATION OVERVIEW

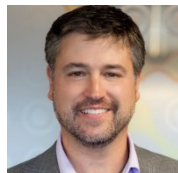
- iovation Inc. provides device-based solutions for fraud prevention and authentication for online businesses and their end users worldwide.
- It offers payment fraud, account takeover, application fraud, and new account fraud solutions; shared device reputation, device-based authentication, and real-time risk and trust evaluation solutions; and delivers its solutions through a distributed SaaS infrastructure that supports massive transaction volumes.
- The company serves financial services, retail, insurance, social network, gaming, telecommunications, logistics and other companies.
- It has strategic partnerships with Entrust Datacard, Equifax, Fiserv, ID Analytics, Imperva, Verisk Insurance Solutions, ACI Worldwide, Callcredit Information Group, and Zoot.
- They have grown from a start-up to an industry leader with over 160 employees located around the world.
- They are dedicated to providing excellent customer service and have a 98 percent client retention rate and a Net Promoter Score of 67.5

iovation Overview

Interviewee Profile and Transaction History

PROFILE

Jon Karl
VP Corporate Development
& Co-Founder



- Jon co-founded iovation in 2004 and serves as VP of Corporate Development. He is also a board member
- Jon develops technology partnerships, does mergers and acquisitions, and manages capital partner outreach
- An expert in the areas of Internet security and fraud management, Jon is a frequent speaker at industry trade shows, where he speaks on various topics including online fraud management, online privacy, and emerging technologies that protect online environments against fraud and abuse
- Jon holds a Bachelors of Arts in Economics from Oregon State University

TRANSACTIONS


September 6, 2016

iovation Inc. acquired LaunchKey, Inc. from a group of investors on September 6, 2016 for an undisclosed amount. LaunchKey, Inc. provides a mobile identity and access management platform that secures enterprise-class applications without the hassle or liability of passwords.

\$18 million
2008

The company raised \$18 million of Series A venture funding from lead investor Intel Capital on March 27, 2008. SAP Ventures, European Founders and Epic Ventures also participated. The funding was raised in tranches. iovation's profitability since the Series A has made it unnecessary to raise again.

Source(s): iovation Website, CapIQ, Pitchbook

iovation Overview

Q&A with Jon Karl, iovation



JON KARL
VP Corporate
Development &
Co-Founder

Q: Please describe iovation's business to us in your own words.

A: iovation focuses on fraud and authentication solutions for online businesses around the world. We sold our prior company in 2004, and we went off and bootstrapped iovation. We are actively seeking companies to buy. We recently bought a company, Launch Key, that is based out of Nevada. That company was pre-revenue but, of course, we would prefer revenue generating companies.

Q: Could you elaborate on what your client base is like?

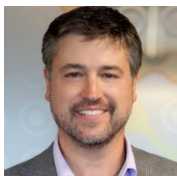
A: I'd rather not name them, but our client base tends to be the larger name-brands in each specific industry in which we work – whether its in financial services, retail, logistics, gaming or telecommunications. Because what we provide secures these businesses against fraudsters, they tend to prefer that we don't name them. Our "consortium model" is likely the biggest data repository in the world for confirmed fraud data, and that really provides a massive amount of effectiveness for our customers.

Q: Are there other geographies the company is targeting?

A: We have 450 clients all over the world, with a focus on North America and UK/Europe. But even with the concentration in those two areas, we have customers in 51 countries across 18 time zones. One nice thing about iovation's solutions is that they all work just as effectively in virtually any geographic and regulatory environment. This is exceptionally important as our customers are continually looking to expand their operations and need a fraud management and authentication platform that will grow with them.

iovation Overview

Q&A with Jon Karl, iovation (Continued)



JON KARL
VP Corporate
Development &
Co-Founder

Q: What is iovation's revenue model?

A: We generally do multi-year contracts and boast a 67.7 Net Promoter Score (NPS) and a 98% retention rate. All of our products operate in a transactional model, with customers able to pay for usage if they prefer it to incurring an upfront fee.

Q: How big is the market opportunity?

A: The Fraud Management market has been difficult to size, but we've been able to achieve consistent and substantial growth without aggressively (yet) expanding into new markets. The consumer authentication space is growing quickly and we believe that it ultimately represents a >\$10 billion market. And this is in the online space only. The offline need for authentication is massive as well...in fact, it may be larger.

Q: Who are your closest competitors and how are you different?

A: On the fraud management side of our business, our closest competitor is ThreatMetrix. And there are lots of others that have come in behind us with what are generally complimentary offerings – though they're all competing for share-of-wallet. However, I feel that we do not have any direct competition yet for the true network view that we provide for fraud management. We have a very different set of competitors in the authentication market, but none who are bringing together a truly integrated product set for risk and consumer authentication. Lots of players are doing that in the enterprise authentication market, but they lack the data, scalable product and business model, and ease-of-use that's required to be successful in consumer authentication.

Thank you Jon.

Cortera Overview

Company Profile



Headquarters: Boca Raton, Florida
Founded: 1993



Jim Swift
President & CEO

Prior to Cortera, Jim was the COO of LexisNexis Risk Management and EVP at Seisint.



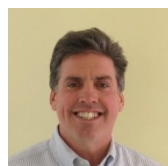
Liz Devine
CIO

Prior to Cortera, Liz was a partner in Accenture's Customer Relationship Management group.



Michael Landis
CFO

Prior to Cortera, Mike joined the founding management team of Ideal Image, a healthcare services company.



Bob Maguire
CRO

Bob spent the first 20 years of his career at Dun & Bradstreet, ending his tenure there as Senior Vice President, US Sales.

Source(s): Cortera Website, CapIQ, Pitchbook

CORTERA OVERVIEW

- Cortera, Inc. provides subscription based business information and workflow automation solutions for credit professionals.
- Products Cortera offer include:
 - Cortera Pulse, a subscription based solution that monitors and analyzes customers for credit risk and key changes/events
 - Boost, a Web-based product that helps to append scores and other insights about customers, prospects, and suppliers
 - B2B insight reports that provide comprehensive view of company risk
 - Cortera Decisions, an automated scorecard platform
 - eCredit, a credit scoring and collections automation platform that supports processes of granting credit, monitoring portfolio risk, and collecting account receivables
 - Connect, an XML Web service interface that provides access to proprietary data and analytics for enterprise or Web applications
- Cortera, Inc. was formerly known as eCredit.com, LLC and changed its name to Cortera, Inc. in April 2008

Cortera Overview

Interviewee Profile and Financing History

PROFILE

JIM SWIFT
CEO



- As CEO of Cortera, his mission is to change the B2B information universe with long overdue insights into businesses to help organizations improve sales performance and risk management
- His successful career as a data geek began with his boyhood fascination with sports statistics
- Prior to Cortera, Jim was the COO of LexisNexis Risk Management and Executive Vice President at Seisint, which was acquired by LexisNexis
- Jim holds a Bachelor of Science in Mechanical Engineering from Rochester Institute of Technology

FINANCING

\$3.48 million <i>April 5, 2016</i>	The company raised \$3.48 million of Series A1 venture funding from undisclosed investors on April 5, 2016, putting the pre-money valuation at \$66.12 million
\$2.94 million <i>November 23, 2011</i>	The company raised \$2.94 million of a planned \$6 million of Series A venture funding from ORIX Growth Capital and other undisclosed investors on November 23, 2011, putting the pre-money valuation at \$59.94 million
\$41.76 million <i>March 6, 2011</i>	The company raised \$41.76 million of Series A and A2 venture funding from TmorrowVentures and other undisclosed investors on March 6, 2011, putting the pre-money valuation at \$18.17 million
\$8 million <i>April 29, 2008</i>	The company raised \$8 million of Series A venture funding led by CIBC Capital Partners, Fidelity Growth Partners Europe, Volition Capital, Tribeca Ventures and Battery Ventures on April 29, 2008, putting the pre-money valuation at \$9.7 million
\$11 million <i>December 19, 2006</i>	The company was acquired by Volition Capital through a \$11 million LBO on December 19, 2006

Source(s): Cortera Website, CapIQ, Pitchbook

Cortera Overview

Q&A with Jim Swift, Cortera



JIM SWIFT
CEO

Q: Please describe Cortera's business to us in your own words.

A: There has long been a massive demand for more accurate insights into businesses for numerous business applications – how big are companies? What do they do? What's the risk of doing business with them? Are they a good credit risk? Are they healthy? Are they growing? Can they buy from us? Should we buy from them? Should we invest in them? And more. The legacy data providers in the space, namely D&B, have not brought new innovations to market to solve this problem, even as technology has become faster and less expensive.

Cortera is taking a clean-slate approach to becoming the leading provider of information about businesses by leveraging technology advancements, deep data expertise and new data and analytics. At Cortera's core is a network data asset that provides insight into how companies interact with their suppliers. Knowing the trends in what companies buy and how they pay different types of suppliers provides unique views into their size and health. And as the network continues to expand, the analytic power of Cortera's solutions continues to improve.

Q: Why is now the right time for Cortera's solutions?

A: The time for better insights into businesses has been right for a long time and customer frustration with legacy data providers is building. After several years of developing its network and other data assets, side-by-side testing by customers shows that Cortera has now reached the point where it's proving to be a viable alternative to the legacy providers in the industry.

Q: What new technologies have enabled Cortera to launch its service?

A: The general technology trends of cheaper storage, faster processing and improved data management and access tools have allowed Cortera to create a flexible and scalable technology platform. Web-delivered products promote customer adoption and business process integration. And a rapid product development environment enables constant innovation.

Cortera Overview

Q&A with Jim Swift, Cortera (Continued)



JIM SWIFT
CEO

Q: What is Cortera's revenue model?

A: Cortera's model is primarily subscription-based with transactional upside. This results in a highly recurring revenue base.

Q: How big is the market opportunity?

A: Existing spend on business information is in the range of \$5-7 billion annually. The untapped demand for better information in banking, insurance and other markets is likely to be at least as much.

Q: What are the key hurdles / challenges that Cortera must overcome for greater business adoption?

A: The biggest challenges faced by Cortera are brand awareness and the willingness of customers to test and change. In some markets, Dun & Bradstreet (D&B) has long been a safe choice.

Q: What are your key growth drivers?

A: The main factors in Cortera's growth are simply the expansion of the data network and the addition of new customers.

Q: Are there other verticals the Company is targeting?

A: Cortera focuses on two main markets: supply chain companies (manufacturers, distributors, transportation companies, etc.) and financial services. There are numerous use cases for Cortera data throughout these markets that present large revenue and profit opportunities. As Cortera's customer base expands, we're seeing an increasing volume of inbound interest from other markets. The flexibility of our technology platform allows us to capitalize on these opportunities with minimal time and cost investment.

Cortera Overview

Q&A with Jim Swift, Cortera (Continued)



JIM SWIFT
CEO

Q: What industry trends are providing tailwinds for Cortera?

A: Three trends pop out:

- As the world becomes more connected and people are surrounded by increasing amounts of information, the demand for better information about businesses continues to increase.
- The number of B2B software applications has increased dramatically over the past 10 years and continues to grow. These applications often want/need information about businesses.
- As analytics tools and skills become more pervasive, they need data as fuel. You can't build highly predictive statistical analytics or even stoplight analytics without great data.

Q: How is Cortera differentiated against potential competitors like Dun & Bradstreet or other data suppliers?

A: We have three key differences that set us apart from our competitors

- We have grown our data network and other data to be a serious competitor to D&B. The nature of our products, with a give-to-get aspect, facilitates data network growth. As we grow and create more separation in the amount of data versus D&B, our ability to compete will continue to improve.
- We have unique insights into businesses, namely detailed views into the spending behavior of companies and their financial interactions with other companies.
- Our data is structured to make analytics work better. This includes unique variables that capture trends and industry-specific granularity, flexible access to data and scores, and tools to facilitate the creation of custom analytics.

Thank you Jim.

Powerlytics Overview

Company Profile



Headquarters: Doylestown, PA
Founded: 2011



Kevin Sheetz
CEO & Co-Founder

Prior to co-founding Powerlytics, Kevin was an audit and advisory partner at KPMG. Kevin was also a VP & Managing Partner of Global Business Operations at Unisys. Kevin has also served on numerous non-profit boards throughout his career and currently serves as Chairman of Tabor Children Services, a multi-family child welfare agency.



Jose Plehn-Dujowich, PH.D.
Chairman, Chief Research
Officer & Co-Founder

Prior to co-founding Powerlytics, Jose was an assistant professor at the Fox School of Business, Temple University and was also an assistant professor at SUNY Buffalo. He has been using the same datasets around which Powerlytics has been founded for academic research purposes and in consulting work to various government agencies and the private sector for 10 years. Jose has a BS from MIT and a Ph.D from the University of Chicago.

Source(s): Powerlytics Website, CapIQ, Pitchbook

POWERLYTICS OVERVIEW

- Powerlytics offers a market intelligence platform designed to provide the most comprehensive, accurate and granular consumer and business financial data available in the U.S.
- The company's big data market intelligence platform analyzes anonymized financial information from publicly available U.S. government sources and reconstructs it into easily understood financial statements.
- This powerful information can be used to drive corporate strategy, discover potential markets, evaluate competitors, and identify risks and trends in both the business and consumer sectors.
- Their products and services make it easy to create precise benchmarking and market-sizing reports, and to perform detailed economic, business and marketing research.

Powerlytics Overview

Interviewee Profile and Financing History

PROFILE

KEVIN SHEETZ
CEO & Co-Founder



- A former audit and advisory partner at KPMG, Kevin was a financial services specialist earlier in his career
- Significant milestones include the development of a global risk assessment tool used for bank audits, an information-based internet joint venture focused on financial services, and building KPMG's global knowledge management group as well as leading KPMG's regional risk management practice
- Kevin was also a VP & Managing Partner of Global Business Operations at Unisys and ran his own consulting business
- Kevin holds a Bachelor of Science in Accounting from Penn State University.

FINANCING

Undisclosed <i>May 20, 2016</i>	The company raised an undisclosed amount of venture funding from CME Ventures on May 20, 2016
\$3.16 million <i>(estimated)</i> <i>September 24, 2014</i>	The company raised an estimated \$3.16 million from CME Ventures and Delaware Crossing Investor Group on September 24, 2014
\$1.7 million <i>May 23, 2014</i>	The company raised \$1.7 million of Series A2 venture funding from Delaware Crossing Investor Group and other undisclosed investors on May 23, 2014, putting the pre-money valuation at \$6.79 million
\$150 thousand <i>November 15, 2011</i>	The company raised \$150,000 from Ben Franklin Technology Partners of Southeastern Pennsylvania (BFTP/SEP) on November 15, 2011, putting the pre-money valuation at \$2.85 million

Source(s): Powerlytics Website, CapIQ, Pitchbook

Powerlytics Overview

Q&A with Kevin Sheetz, Powerlytics



KEVIN SHEETZ
CEO & Co-
Founder

Q: Please describe Powerlytics' business to us in your own words.

A: We have a very unique offering in the big data and analytics space. Our market intelligence platform, which is powered by the anonymized tax returns of all consumers and for profit businesses that file tax returns, helps clients improve targeting and marketing as well as understanding risk profiles and predictive analytics. We have over 200 financial and demographic data points on over 200 million adults and complete financial statements for over 30 million companies.

Q: Why is now the right time for Powerlytic's solutions?

A: While there is a lot data in the market place, there is not a lot of accurate data when it comes to the financial profile of consumers and non public companies due to the challenges with survey based data, which underpins most of these data sets. In general I think the importance and need for data analytics, specifically predictive analytics is going to continue to increase and in time move from a competitive advantage to a must have to stay relevant. This is true from both a marketing and risk perspective. The quality of the data in these models is critical if the return on the investment in both marketing and risk analytics is going to be realized.

Q: What new technologies have enabled Powerlytics to launch its service?

A: The underlying techniques that Powerlytics has utilized to create our data are the result of about 18 years of intellectual property. The secrete sauce is being able to integrate the 20 to 30 different disparate sets of Government data. The advance of big data technologies has helped, but due to the over 1 trillion combinations we can make with our data we needed to create additional IP around the ability to compute all these different combinations in a real time manner.

Powerlytics Overview

Q&A with Kevin Sheetz, Powerlytics (Continued)



KEVIN SHEETZ
CEO & Co-
Founder

Q: What is Powerlytics' revenue model?

A: With direct clients we have an SaaS based annual subscription model for most of our solutions and for some like our True Income product line which can provide a score on someone's stated income or an estimate of their income solely based on their 9 digit zip code we do transaction fees. For Partners that use our data in their products we do both transaction fees and revenue shares.

Q: How big is the market opportunity?

A: The market opportunity is significant, it's really only limited by the bandwidth of the company. All businesses need better data on Consumers or Businesses to improve their ability to mitigate risk and target the best customers. Our data and tools help in both those areas with the most accurate, granular and comprehensive data in the market place. The income verification market is estimated to be over \$500 million and that is only one small aspect of our addressable market.

Q: What are the key hurdles / challenges that Powerlytics faces?

A: One of our key challenges are the sales cycle with the larger financial service companies, while the business gets excited pretty quickly about the value we can bring, it's generally a protracted process to get through the procurement/contract process. In cases where there is a pilot first, limited client resources also slow down the process. The other challenge we see are companies having sufficient in-house expertise that really understands how to drive value from the analytics/data science. Many companies spend significantly on marketing and risk efforts, but tend to be understaffed either in terms of just data science resources or resource that really expert at understanding data science techniques. Fortunately, we have an outstanding team in this area, so for those that are willing to receive input we can help overcome that hurdle.

Q: What are your key growth drivers?

A: For us the key is continuing to execute in both our data and product development and identifying new partners that can help us accelerate in the marketplace quicker than we can do it on our own.

Powerlytics Overview

Q&A with Kevin Sheetz, Powerlytics (Continued)



KEVIN SHEETZ
CEO & Co-
Founder

Q: How is Powerlytics differentiated against potential competitors? Who are your closest competitors right now?

A: There's a pretty significant differentiation between us and other vendors that have financial data on businesses and consumers. For businesses, outside of public companies, which are less than 10,000 of the 30 million for-profit companies in the U.S. any financial data is going to be driven from either primary or secondary surveys. The challenge with these surveys is there is no source of truth for the vendors to test the accuracy of what is received. Many vendors may use it for credit scoring or other similar means; as a result companies have an incentive to overstate their results. In addition, the survey's will have selection bias, they don't cover 100% of the population in terms of survey's sent or responses and because companies classify items differently, there's an apples and oranges problems when the companies try to combine the data. Given our source is the tax return, it's consistent for everyone, it's comprehensive and there's no selection bias. For consumers there are similar issues. In fact as it relates to income data, a common source for companies to use is the U.S. Census that is another survey that takes responses at face value. The IRS conducted a study looking at the verified income on a tax return vs. what is on the Census survey, they found that overall households tend to overstate income by 30% to 60%, unless of course it's coming from a very wealthy area, in which case the income was understated. Most of our competitors are either current or potential partners because we have the ability to improve any financial data that is currently in the marketplace. There is no one in the marketplace that has been able to do what we have done with the Government data.

Q: Are there any other industries that can make use of Powerlytic's service, beyond financial services and professional services?

A: Absolutely, we can improve marketing for any industry as well as provide a better understanding of risk and opportunity within sectors for companies. For example, we recently launched over 100 digital marketing segments on LiveRamp, which is a digital marketing platform. These segments cover very unique profiles that are not available in the marketplace today. For example if someone is looking to target households with income between \$120,000 - \$225,000 that also have IRA distribution and dividend income we can help them specifically target people that meet that profile. These can be leveraged in any industry sector as can our other data assets and analytics.

Thank you Kevin.









Transaction Themes

Transaction Themes

Payment Analytics, Blockchain, and SME Lending

- The broader payments and bill processing landscape has witnessed several transactions over the past two quarters. Deal activity has involved established industry players taking over new businesses, in different geographies in some cases, to take advantage of the gradual shift towards electronic transactions. PE funds have also actively acquired attractive targets in the payment and billing space.
- M&A activity in the payment analytics sphere has been dominated by large payments processing businesses who have endless payments data through their credit card POS's and online payment gateways. They are realizing the monetizable potential of data on their hands once they acquire the capability of analyzing this data.
- Retail banks have similar payments data as payment processors, but have been relatively slow in payment analytics-related M&A's. Retail bank-driven M&A in the payments analytics space is expected to gather steam over the coming quarters as banks too look to monetize their data by acquiring analytical capabilities, like payment processors,

Relevant Recent Transactions

Date	Target	Acquirer(s)	Type	Value (mn)	Transaction Details
03/06/2017			Stake Purchase	NM	TA Associates, a Boston-based PE fund, acquired a minority stake in Interswitch, a Nigerian digital payments company, from Helios Investment Partners. Interswitch owns and operates Verve, Nigeria's principal domestic credit card scheme, and serves as a third-party transaction processor for many of the country's largest banks.
01/06/2017			Acquisition	\$200.0	First Manhattan Consulting Group LLC (FMCG) offers strategic and operational consulting services. The consideration is subject to customary adjustments. The acquisition was financed through the existing revolving credit facility and an expansion of the credit facility term loan which has been increased to \$330 million.
11/07/2016			Acquisition	\$400	GTCR, a leading PE firm, acquired RevSpring, Inc., a multi-channel billing and communications solutions provider to healthcare and financial services businesses. RevSpring's existing management team would stay onboard after the acquisition and spearhead new organic growth initiatives, as well as, acquisitions of related businesses in the multi-vertical billing and payments industries








Source(s): Press Releases, Capital IQ

Transaction Themes

Payment Analytics, **Blockchain**, and SME Lending

- The Blockchain revolution is currently in its nascent stages and is being widely touted as the next greatest technology revolution, with a potential of fundamentally changing the way business is conducted in several industries. Most blockchain businesses are still young, but their potentially revolutionary business ideas have motivated investors to liberally fund them.
- With the disruptive potential of Blockchain becoming better known to established companies, strategic M&A activity in the Blockchain segment could gather pace in 2017. We have already seen leading companies from many different industries, including Banking, Payment Processing, Telecom and Insurance; acquiring strategic interests in Blockchain startups in 2016. Many more strategic deals could yet be in the offing.
- With blockchain businesses becoming larger and more stable, there have been several strategic deals where a blockchain startup has acquired another for inorganic growth or related capabilities.

Relevant Recent Transactions

Date	Target	Acquirer(s)	Type	Value (mn)	Transaction Details
01/11/2017	Blue Ocean Financial Technology		Asset Purchase	NM	t0 acquired the assets of Singaporean finance data service provider, Blue Ocean Financial Technology, for an undisclosed amount. Blue Ocean has a special focus on US securities and its assets would support t0's plans of setting up a platform for Asian investors to invest in US equities during their business hours.
02/14/2017			Funding	\$55.2	Standard Chartered along with a group of other investors, made a Series B investment in San Francisco based Ripple. Ripple operates a blockchain software that allows cross-border payments to be completed more quickly and securely. Other investors in the group were Accenture, SCB Digital Ventures, and SBI Holdings.
04/04/2017			Acquisition	NM	Blockchain business payments startup Wyre, Inc. acquired Hong Kong based Remitsy Ltd. in a cash and equity deal. Remitsy operates a blockchain-based platform for rapid currency conversion and transfer. The acquisition will give Wyre access to over 600 customer accounts, easier access to the Chinese market, and the services of Remitsy co-founders Neil Woodfine and Richard Bensberg.
01/26/2016			Stake Purchase and JV	\$30.0	China FinTech Holdings Ltd. has invested \$30 million in BitFury and invested in a JV with it. Bitfury is a U.S. bitcoin and private blockchain infrastructure provider. The deal will assist Credit China "in maximizing the adoption of the bitcoin blockchain and private blockchains into its various financial technology platforms."







Source(s): Press Releases, Capital IQ

Transaction Themes

Payment Analytics, Blockchain, and SME Lending

- M&A activity in the SME Lending platforms segment has been slower than in Consumer and Energy Efficiency lending platforms. Most of the companies in this segment are young companies, with a robust business model and an ability to efficiently serve a business loan segment that large banks have overlooked. Although large banks do not directly finance the clients served by SME Lending platforms, they have an indirect exposure to these clients through their strong financial backing of SME Lending platforms.
- The attractiveness of the online SME Lending model and low entry barriers for this segment have attracted many new players in recent years. Frequent entry of new players has resulted in a competitive environment, with few clear industry leaders. As the industry is approaching maturity, the fierce struggle to maximize loan originations is giving way to players focusing more on loan portfolio quality. With players readjusting their focus on portfolio quality, the struggle for market share could culminate in a period of industry consolidation, characterized by more M&A transactions. M&As may also be motivated by players looking to consolidate to achieve economies of scale in terms of working capital and capex. The broader online lending space too could witness intense M&A activity in 2017. Some of the recent transactions in the online lending space are below.

Relevant Recent Transactions

Date	Target	Acquirer(s)	Type	Value (mn)	Transaction Details
01/30/2017			Financing	NM	Currency Capital is an equipment financing firm that operates an online financing resource for business owners. Its technology portal offers various solutions, including Currency API that helps clients to make financing from their sites; lending services that help to power all important operations from origination to funding and everything in between; a customer relationship management platform, which can consolidate clients' information across various touch points; and Currency Pay for timely payment to sellers. The company was founded in 2001 and is headquartered in Los Angeles, California.
02/24/2017		Silver Lake; SoftBank Group Corp.; Gpi Capital, L.P.	Financing	\$500.0	Social Finance, Inc., doing business as SoFi, provides student loan refinancing services. It offers MBA loans and mortgages; personal loans to pay off credit cards, advance career, finance adventure, tie the knot, and other purposes; and issue mortgages for primary residences in California, Washington, North Carolina, Pennsylvania, Texas, New Jersey, and Washington, D.C. The company provides variable and fixed rate loans. The company was founded in 2011 and is based in San Francisco, California.
03/14/2017		Menlo Ventures; Social Leverage, LLC; Coventure; Arena Ventures	Financing	\$77.0	Produce Pay Inc. provides ProducePay, a financing solution that offers access to liquidity and financing to farmers who grow fresh fruits and vegetables. The company was founded in 2014 and is based in Glendale, California.
11/15/2016			Acquisition	NM	Peerform, Inc. operates a peer-to-peer marketplace lending platform that helps borrowers to find and get personal loans from investors. The acquisition reinforces Versara's commitment to rapid growth in the consumer lending space.

Source(s): Press Releases, Capital IQ



Public Comparables



Public Trading Comparables

Payment Analytics, Blockchain, and SME Lending

(All figures in \$. Figures in millions, except per share data, as of April 20, 2017)

Company Name	Day Close Price	% of 52-Wk High	Total Enterprise Value	Market Capitalization	LTM Total Revenue	LTM EBITDA	TEV/Total Revenues LTM	TEV/EBITDA LTM
Alliance Data Systems Corp.	\$240.64	94.4%	\$32,547.4	\$13,457.9	\$7,138.1	\$1,462.4	4.6x	22.3x
PayPal Holdings, Inc.	\$43.3	97.3%	\$42,192.9	\$52,008.9	\$10,842.0	\$2,102.0	3.9x	20.9x
Deluxe Corp.	\$70.03	92.2%	\$4,077.9	\$3,395.8	\$1,849.1	\$433.3	2.2x	9.4x
Q2 Holdings, Inc.	\$37.0	98.2%	\$1,400.1	\$1,497.2	\$150.2	\$ -20.4	9.3x	NM
Square, Inc.	\$17.2	94.7%	\$5,803.8	\$6,315.7	\$1,708.7	\$ -40.6	3.4x	NM
Enova International, Inc.	\$13.65	88.6%	-	\$457.1	\$680.0	-	0.7x ⁽¹⁾	-
Mean							4.0x	17.2x
Median							4.3x	20.1x

Source(s): Capital IQ

⁽¹⁾Figures Calculated in Market Cap / Revenue

Public Trading Comparables

Payment Analytics, **Blockchain**, and SME Lending

(All figures in \$. Figures in millions, except per share data, as of April 20, 2017)

Pure-Play Blockchain Companies

Company Name	Day Close Price	% of 52-Wk High	Total Enterprise Value	Market Capitalization	LTM Total Revenue	LTM EBITDA	TEV/Total Revenues LTM	TEV/EBITDA LTM
First Bitcoin Capital Corp.	\$0.38	44.7%	-	\$113.3	-	-	-	-
Global Arena Holding Inc.	\$0.01	50.0%	\$4.2	\$1.9	\$1.5	-	2.8x	-
BTCS Inc.	\$0.06	0.7%	\$5.3	\$2.7	\$0.5	\$ -1.2	10.4x	NM
DigitalX Limited	\$0.03	20.0%	\$4.7	\$5.7	\$38.5	\$ -2.8	0.1x	NM
BTL Group Ltd.	\$3.46	94.8%	\$62.9	\$63.5	\$0.2	-	NM	-
Hashing space Corp.	\$0.02	50.0%	-	\$2.6	-	-	-	-
Mean							4.4x	-
Median							2.8x	-

Mixed-Play Blockchain Companies

Company Name	Day Close Price	% of 52-Wk High	Total Enterprise Value	Market Capitalization	LTM Total Revenue	LTM EBITDA	TEV/Total Revenues LTM	TEV/EBITDA LTM
International Business Machines Corporation	\$162.30	88.8%	\$185,290	\$153,083	\$79,389	\$18,552	2.3x	9.9x
Intel Corporation	\$36.18	94.1%	\$178,869	\$170,685	\$59,387	\$22,874	3.0x	7.8x
American Express Company	\$80.02	97.6%	\$98,618	\$71,618	\$29,571	NA	3.3x	NA
First Data Corporation	\$15.61	93.6%	\$35,413	\$14,325	\$7,839	\$2,665	4.5x	12.1x
PayPal Holdings, Inc.	\$43.69	98.1%	\$42,661	\$52,477	\$10,842	\$2,102	3.9x	20.3x
Barclays PLC	\$2.67	77.7%	-\$70,598	\$45,394	\$24,074	NA	NM	NM
Mean							3.4x	12.5x
Median							3.3x	11.0x

Source(s): Capital IQ

Public Trading Comparables

Payment Analytics, Blockchain, and **SME Lending**

(All figures in \$. Figures in millions, except per share data, as of April 20, 2017)

Company Name	Day Close Price	% of 52-Wk High	Total Enterprise Value	Market Capitalization	LTM Total Revenue	LTM EBITDA	TEV/Total Revenues LTM	TEV/EBITDA LTM
On Deck Capital, Inc.	\$4.51	50.4%	-	\$324.6	\$140.9	-	2.3x ⁽¹⁾	-
LendingClub Corporation	\$5.72	68.0%	-	\$2,288.9	\$500.8	-	4.6x ⁽¹⁾	-
FirstCash, Inc.	\$48.9	90.6%	\$2,728.0	\$2,361.4	\$1,088.4	\$180.0	2.5x	15.2x
OneMain Holdings, Inc.	\$23.39	70.2%	-	\$3,164.7	\$2,112.0	-	1.5x ⁽¹⁾	-
World Acceptance Corporation	\$51.61	75.0%	\$829.3	\$447.3	\$531.3	\$142.2	1.6x	5.8x
LendingTree, Inc.	\$123.7	95.0%	\$1,373.4	\$1,464.6	\$384.4	\$55.2	3.6x	24.9x
Mean							2.7x	20.4x
Median							2.4x	12.2x

Source(s): Capital IQ

⁽¹⁾Figures Calculated in Market Cap / Revenue

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